



rural policy research institute

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September 24, 1997

**Office of the Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, D.C. 20554**

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**RE: FEDERAL-STATE JOINT BOARD ON UNIVERSAL SERVICES
(CC DOCKET NO. 96-45)**

To Whom it May Concern:

Enclosed please find comments from the Rural Policy Research Institute Rural Telecommunications Task Force, responding to the FCC Common Carrier Bureau Public Notice for Comments on the Universal Service Support Distribution Options for Schools, Libraries, and Rural Health Care Providers (CC Docket No. 96-45, DA 97-1957). Task Force Member Vicki Hobbs authored this response, on behalf of this Task Force.

We appreciate your consideration of this perspective.

Sincerely,

Charles W. Fluharty
Director

CWF/lc

Enclosure

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Comments From
Rural Policy Research Institute
Rural Telecommunications Task Force
9/18/97

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To the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of)		
)		
Federal-State Joint Board)	CC Docket No. 96-45	DA 97-1957
on Universal Service)		
)		

To the Common Carrier Bureau:

COMMENTS OF
RUPRI Rural Telecommunications Task Force

Response to Question 1: Whether a "window" period should be established in which all beneficiaries filing within that period would be given equal priority.

The establishment of an ongoing series of two-week windows, during which all applicants submitting a funding request would receive an equal priority ranking, would help to eliminate some of the unfairness of a first-come, first-serve policy. Applicants whose completed funding request is received within the first two weeks of the date on which requests could be initially accepted would receive a priority ranking of "1". Applicants filing within the second two-week period would receive a priority ranking of "2", etc. It will be important to make known the distinction between date of initial application and date of funding request, as date of application should not determine priority. Obviously, some applicants may drop out or postpone implementation and no determination can be made from initial applications as to how much universal service funds will be encumbered.

Response to Question 2: Whether to clarify that the rules of priority for distributing funds to schools and libraries. . . apply to the \$1 B available between January 1, 1998 through June 30, 1998.

Rules of priority should not be abandoned for the first funding cycle of January 1, 1998 - June 30, 1998. There is precedent to support the likelihood that those schools and libraries in most need--both in terms of need for technology and financial need--will be the last to apply, not because of interest but because of the time lag in receiving information and the lack of personnel who have both the time and expertise to do the necessary groundwork and complete the application process. We therefore strongly urge you to clarify the rules of priority applying to the first \$1 B funding cycle and to include the \$250 million trigger, which would activate those rules of priority.

Response to Question 3: We also seek comment on whether a mechanism to prioritize requests from rural health care providers should be adopted in the event that requests exceed available funds.

A mechanism to prioritize requests from rural health providers should be adopted. Allocating a minimum of \$50M during the January 1 -June 30, 1998 cycle to rural health care provider applicants who are located in Health Professional Shortage Areas (HPSA) would create a legitimate set-aside for those providers in most need. In addition, requests should be prioritized on the basis of rurality by identifying the Beale Code (or other rurality index) according to the location of each applicant. Information on Beale Code by locality is widely available or could additionally be made available on line so applicants would immediately know their priority ranking. Since requests for funding will occur throughout the initial 6-month funding period, it will be necessary to allocate dollar limits for each priority grouping, for instance:

<u>Beale Code</u>	<u>Definition</u>	<u>Priority</u>	<u>\$ Cap</u>
8 or 9	Non-metro, <2500 urban pop	1	\$ 25M
6 or 7	Non-metro, 2500-19,999 urban pop	2	\$ 15M
4 or 5	Non-metro, 20,000+ urban pop	3	\$ 10M

This process could work as follows. Upon submitting a request, an applicant located within a HPSA would be assured of approval up to the point that \$50M had been expended from the fund. Among non-HPSA applicants or among HPSA applicants making requests after the \$50M threshold had been reached, priority will be established on the basis of Beale Code, such that applicants with a Beale Code of 8 or 9 would receive highest priority and would be guaranteed approval up to a cap of \$25M; applicants with a Beale Code of 6 or 7 would gain approval up to a cap of \$15M; and applicants with a Beale Code of 4 or 5 would be approved up to a cap of \$10M. In the event that individual caps are not reached, those funds would be available to additional applicants in order of their priority ranking.

In subsequent years when the fund cap reaches \$400M, an initial set-aside of \$200M would be designated for applicants located in Health Professional Shortage Areas (HPSA). For non-HPSA applicants or among HPSA applicants making requests after the \$200M threshold had been reached, the following \$ Caps would apply for applicants

falling within each priority. As above, in the event that individual caps are not reached, those funds would be available to additional applicants in order of their priority ranking.

<u>Priority</u>	<u>\$ Cap</u>
1	\$ 100M
2	\$ 60M
3	\$ 40M

Response to Question 4: We also seek comment on whether other methods might ensure a broad and fair distribution of funds, particularly at the earliest stages of these support programs.

An additional concern is the extent to which states or very large regional consortiums are allowed equal access to discounted funds along with individual or very small consortiums of schools, libraries, or districts. We realize the perceived efficiency which may stem from a statewide application for T-1 lines for dedicated Internet access for all schools in the state, for instance, but caution against unrestricted statewide applications because of the potential for requesting and installing unused services as well as the potential for decimating the fund before the real needs identified by individual schools, libraries, and districts can be met. We strongly urge you to consider the set-aside of one-half of the capped amount specifically for individual school, library, and school district applications. Small clusters applying for funding for services which require or suggest consortial arrangements could apply as bundled individual applications, e.g., a cover application from the consortia followed by individual applications for each school, library, or district involved. During the first funding period, January 1 -June 30, 1998, this would mean that statewide or regional requests could not exceed \$500M. At the point that \$500M in statewide or regional requests had been granted, additional statewide/regional applicants would be instructed to file in a subsequent funding period or to assist schools in the individual or bundled application process. At the point that only \$250M remains in the total fund, rules of priority would be engaged without concern for type of application.

Response to Proposal submitted by the DOE Working Group Report:

A. Method for allocating support to individual institutions that apply for funds on an aggregated (e.g., statewide or districtwide) basis

While it does make sense to allow statewide applications from the standpoint of administrative efficiency and the opportunity to take advantage of "volume discounts", there is an inherent problem in allowing states or large regional entities no restrictions in applying on behalf of their constituents. We would recommend the following principles apply:

(1) As the number of end users included in a single application grows, so does the potential for the implementation of unused services or implementation at higher than necessary bandwidths for many users. Therefore we recommend that requests for service, as a second step in the application process, must be generated and approved at the level of the fiscally responsible entity rather than at the level of the aggregator. This

would mean that while a state may choose to apply for a common service for all schools located within it, it should become the responsibility of the fiscally responsible entity to submit the subsequent request for service and to document the initiation or completion of that service. In most cases this would fall at the school district or individual library level.

(2) We agree with the Report of the Working Group in that there should be no need to calculate an aggregate discount rate, however real or artificial, at the point of application. Such determination should be made in the context of the Request for Service, which according to our recommendations, would be submitted by the fiscally responsible entity.

(3) We differ from the Report of the Working Group in recommending that only in the case where an aggregator is the fiscally responsible entity, such as in the case where a state department of education through legislative appropriation covers the cost of dedicated Internet access lines to all school districts, should the aggregator be allowed the prerogative to average all discounts of its member schools or libraries. This can be rationalized in that all schools regardless of need or rurality will have access to the same technology and, since the bill will be paid in total by the aggregator, there would be no practical reason to differentially determine discount rates. Having done so, will change neither the service to which the school or library has access, the total amount of the bill paid, nor the cumulative amount of universal service fund contribution to the provider.

(4) With respect to aggregated applications for which individual entities will be responsible for the charges incurred, there appears to be no rationalization for aggregating discounts. Indeed, this seems counterintuitive if we take as given the requirement that each school and library should receive the full benefit of the discount to which it is entitled. If individual entities are fiscally responsible, directly or indirectly, for services requested on an aggregated basis, we would recommend that discounts be averaged only to the level of the fiscally responsible entity, that is, if a district is the fiscally responsible entity, discounts among its schools may be averaged. As above, this method will change neither the service to which the school or library has access, the total amount of the bill paid, nor the cumulative amount of universal service fund contribution to the provider. It provides no inherent advantage or disadvantage to any individual school or library.

(5) Obviously, where an individual school or library chooses to apply, request services and document initiation/completion of services, and where that school or library is the fiscally responsible entity (or is allowed to become so by its district), discounts should be individually documented within the request for service.

(6) This proposed methodology, while increasing the number of requests for service, would eliminate the need to artificially prorate costs among end users. It would also eliminate the need to audit or otherwise affirm the legitimacy of any methods used in the calculation of weighted averages, as weighted averages would not be necessary. Furthermore, A should, in all but the most unusual cases, eliminate the need to allocate costs for shared or common services, as shared costs should rarely extend beyond the level of the fiscally responsible entity.

(7) Only in the case of services priced on the basis of usage would there be the potential for any discrepancy between two end-users of dissimilar discount rates covered within the application of a larger fiscally responsible entity. We would recommend that providers and applicants work toward the elimination of usage-sensitive

billing. Falling short of that goal, however, we would urge that fiscally responsible entities *not* be burdened by attempting to allocate discounted costs on the basis of variable usage among its end users.

B. Preliminary notes on the draft applications included in the Working Group Report

The "Services Requested" section of the application(s) is not conducive to identifying the specific services requested or in identifying services ultimately implemented. We believe it would be more logical to separate inventory from requests, by requiring a technology inventory (current and projected) within the technology plan. A more logical checklist to be included in the application and request for service might therefore be organized as follows, with the written description in the service request covering the details of the request. [Note: The following is not yet a definitive list of all possibilities, but should provide a starting point.]

<input type="checkbox"/>	<u>Services Related to Basic Telephone Uses (Voice only)</u>
<input type="checkbox"/>	<u>Services Related to Computer Networking</u>
<input type="checkbox"/>	<u>Services Related to Internet Access or Data Applications</u>
<input type="checkbox"/>	<u>Services Related to Video Applications</u>

What hardware is requested:

- | | |
|--------------------------|--------|
| <input type="checkbox"/> | Server |
| <input type="checkbox"/> | Router |
| <input type="checkbox"/> | Bridge |
| <input type="checkbox"/> | Other |
| <input type="checkbox"/> | Other |
| <input type="checkbox"/> | Other |

Is Internet Service Requested?

- | | |
|--------------------------|-----|
| <input type="checkbox"/> | Yes |
| <input type="checkbox"/> | No |

Are you requesting a:

- | | |
|--------------------------|--------------------|
| <input type="checkbox"/> | Wired Line Service |
| <input type="checkbox"/> | Wireless Service |

What wire line service is requested?

Switched

_____ Analog Voice Line
_____ Switcher 56K
_____ ISDN – BRI
_____ ISDN – PRI
_____ Frame Relay
_____ ATM
_____ Other: _____

Dedicated

_____ Dedicated Digital Service (DDS)
_____ Fractional T-1
_____ T-1
_____ Analog Fiber
_____ DS-3
_____ OC-12 (24) (48)
_____ Other: _____

With what transmission mode?

(list all options here, e.g., copper, fiber, Ethernet, etc.)

What wireless service is requested?

(list all options here, e.g., microwave, packet radio, etc.)

Bandwidth at which service is requested?

(include all options here, e.g., 56Kbps, 64K, . . . 45 Mbps)

C. Single vs. Multiple Service Requests

Not covered is the issue of whether an applicant must submit a separate application for each "service" requested, whether multiple "services" can be included within a single application, or whether an applicant can submit multiple applications within the same funding cycle. We would recommend that, because of the difficulty in ascertaining where one "service" ends and another begins, applicants should be allowed to submit an application covering multiple services, realizing that providers must bid presumably on all services requested within the application. Some applicants may therefore be encouraged to restrict the number of services for which they apply simultaneously. We would at the same time recommend that applicants be allowed to be included in only one application per funding cycle, in order to lessen the potential for wealthier end users to apply for all conceivable telecommunications services simultaneously, while limiting the possibility of schools and libraries of lesser means for participating in any discounted telecommunications services.